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23 JUN 1975

MEMORANDUM FOR: CRS/ADD Release

SUBJECT: Release of ER RP 75-15, Communist Aid
and Trade Activities in Less Developed
Countries, April 1975, dtd May 1975,
Secret, to Foreign Governments

1. It is requested that the attached copies of subject report be forwarded as follows:

25X1C

#44-#46
#47



2. All OER responsibilities as defined in the DDI memorandum of 13 August 1952, "Procedures for Dissemination of Finished Intelligence to Foreign Governments," as applicable to this report have been fulfilled.

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Chief, St/P/C/OER

Attachments: 4

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3
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ER RP 75-15

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CONTENTS AND SUMMARY OF EVENTS (April 1975)

Page

General

Recent Developments in Soviet Fisheries Aid 1

Since 1959, the USSR has pledged more than \$115 million in fisheries development assistance to 30 countries. Recent fisheries agreements have stressed the formation of joint fishing ventures and the provision of technical assistance, in contrast to earlier pacts that called for financing equipment and construction of onshore facilities.

Africa

Soviet Gold Extraction in Mali 4

The USSR and Mali signed contracts to go ahead with gold extraction at the Kalana mines—a site which the USSR has been prospecting for several years.

Europe

Portugal Negotiating an Aid Agreement with Moscow 4

Negotiations are reported nearing completion on Soviet aid for an aluminum smelter and development of the cement industry in Portugal.

Near East and South Asia

Romanian President Tours Islamic States 5

Jordan and Tunisia signed agreements on Romanian participation in development projects and to expand trade during visits by President Ceausescu.

~~Secret~~

~~Secret~~Page**Moscow Pledges New Development Aid to Bangladesh 5**

The USSR signed an agreement early in April to provide \$51 million in additional credit to Bangladesh.

Greece Cancels Philippi Power Project 5

Greece has canceled the controversial Philippi power project, which would have used peat as fuel for three steam power generators to be provided by the USSR.

Iranian-Soviet-West European Gas Contract Signed 6

The USSR and a West European consortium have concluded a contract with Iran on the delivery of 1.3 billion cubic feet of gas per day to the USSR and West European consumers.

Results of Iraqi Leader's Visit to Moscow 6

Baghdad's dispute with Syria over the allocation of Euphrates river waters, probably was a major topic of Iraqi discussions in Moscow in April.

Iraq Signs Protocols with East European Countries 6

Iraq signed protocols on trade expansion and utilization of outstanding credits with Bulgaria and signed an agreement on Hungarian assistance to poultry farms costing \$145 million.

Other Activities**Economic 7****Military 10**~~Secret~~

Secret

COMMUNIST AID AND TRADE ACTIVITIES IN LESS DEVELOPED COUNTRIES

April 1975

General

*Recent Developments in Soviet Fisheries Aid**

Introduction

Since 1959 the USSR has concluded fisheries assistance agreements with 30 less developed countries (LDCs) and pledged approximately \$115 million to support fisheries development programs in LDCs (see Table 1). Most of this aid has been channeled to African and Middle Eastern states. Although initially the program was concerned with provision of equipment, in recent years it has emphasized technical and research support. Moscow also is seeking client states adjacent to major or potentially major fishing grounds. It hopes to establish joint companies that will provide a modicum of security for continued Soviet exploitation of marine resources throughout the world, regardless of future decisions that may emerge from Law of the Sea deliberations.

Recent Developments

Since 1973, Moscow has added two new clients, Argentina and Portugal, as fisheries assistance recipients. The amount of assistance will be determined after agreement is reached on the character of the projects, but a large part of the assistance certainly will be for technical services and training.

The USSR also has actively followed through on prior agreements with at least 14 nations, including assignment of approximately 1,000 fisheries personnel in LDCs. Among the most notable developments was the proposal to Indonesia in December 1974 to reestablish the fisheries aid program abandoned in 1965. Moscow has offered not only trawlers, crews, and training but also help in developing port facilities.

Moscow encourages joint ownership of fishing companies and has approached at least 14 LDCs about such ventures (see Table 2). It has joint agreements with Egypt, Somalia, and South Yemen. Generally, these agreements provide for the following:

* The classification of this article is Secret.

- The ships used are of Soviet origin and are leased to the firm or purchased by the LDC.
- Proceeds of the operation are used first to cover expenses of fishing operations, and any residual profits are then divided equally by the two parties.
- Ships used are jointly manned and are also used for training and research purposes.
- A portion of the catch is delivered to the LDC for local distribution, and the remainder is frozen and shipped to other markets.

Data on joint operations indicate that leasing and depreciation charges are inordinately high, limiting profitability.

Moscow's interest in joint venture arrangements reflects the uncertainties of pending decisions on a global Law of the Seas and the subsequent need for a buffer position. Moscow, in concert with the world's other major fishing nations, continues to push for inclusion of an optimum utilization clause* in any treaty defining a new Law of the Sea fishing regime. LDCs with embryonic fishing capabilities would be disadvantaged by such a provision; most at the outset would have to permit foreign fleets to operate in their coastal water to optimize their fishing activities through licensing arrangements, royalty payments, or joint ventures. The Soviets view the latter as the more secure and profitable position from which to operate.

Moscow's reliance on technical services as a major part of its assistance program emphasizes basic economic considerations. Technical assistance is critical to successful LDC fishing operations. It is less costly for Moscow to provide than is equipment or onshore facilities which it furnished heretofore. Technical assistance provides a higher return to Moscow in terms of fishing information as well as an immediate return in profits from the ventures. Since the planned expansion of Moscow's own fleet apparently is not being met, technical assistance in lieu of equipment transfers places no additional strain on the USSR's overloaded production capabilities.

* Achieving maximum sustainable yield over time, consistent with certain environmental and economic factors.

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Table 1

**Estimated Soviet Aid Extensions
for Fisheries Development
in Less Developed Countries
January 1960 - April 1975**

	Million US \$
Total	115.6
Africa	47.0
Algeria	4.5
Equatorial Guinea	N.A.
Gambia	N.A.
Ghana	11.2
Guinea	6.3
Kenya	N.A.
Mauritania	N.A.
Mauritius	5.0
Morocco	N.A.
Senegal	6.7
Sierre Leone	N.A.
Somalia	9.8
Sudan	2.0
Tanzania	0.9
Tunisia	0.6
Middle East	37.7
Egypt	7.0
Iran	6.3
Iraq	11.0
North Yemen	7.8
South Yemen	5.6
Syria	N.A.
South and East Asia	12.1
Bangladesh	8.0
India	2.2
Indonesia	0.3
Pakistan	1.6
Sri Lanka	N.A.
Latin America	18.8
Argentina	N.A.
Chile ¹	17.0
Peru	1.8
Europe	N.A.
Portugal	N.A.

1. Program has been discontinued.

Table 2

**Soviet Joint Fishing Venture Agreements
with Less Developed Countries**

Recipient	Current Status
Argentina	Letter of Intent
Bangladesh	Under negotiation
Egypt	Joint fishing venture under way in central Atlantic
Gambia	Under negotiation
Indonesia	Offer
Iraq	Agreement signed
Liberia	Offer under consideration
Mauritania	Company formation approved in April
Mauritius	Offer pending
Morocco	Protocol signed
Peru	Under negotiation
Somalia	Joint fishing venture in operation
South Yemen	Joint fishing venture in operation
Sri Lanka	Negotiations in limbo

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The major fisheries centers have moved gradually southward in recent years, with important implications for fisheries aid and Soviet fishing in general. Moscow has used earlier fisheries aid to extend research on the southern reaches of the Indian, South Atlantic, and Pacific Oceans, where over the past 18 months new fisheries aid, including offers of joint ventures, has been extended. With the Soviet fishing fleet already topheavy in support ships and with the need for repair facilities closer to major fishing grounds, these joint ventures may well be the most economically feasible way for the USSR to expand its exploitation of the world's southern fisheries.

Prospects

Soviet fisheries aid is profitable and low cost and may be an important element in effective fisheries exploitation in the future. Joint ventures and technical assistance will continue to keynote the program, which will concentrate on recipients with access to lucrative fisheries areas.

Africa

Soviet Gold Extraction in Mali

The USSR and Mali have signed a contract allocating \$5.7 million from earlier credits for production of gold at the Kalana mines -- a site at which the USSR has been prospecting for several years. The new agreement provides for construction of wells, shafts, and, presumably, a processing plant. Annual output from the mine is projected at 25,000 tons of ore initially, rising to 60,000 tons on completion of the second stage (estimated to cost an additional \$8.2 million). Capacity operation will yield about 1 ton of gold annually which has a current market value of about \$5 million. (Unclassified)

Europe

Portugal Negotiating an Aid Agreement with Moscow

The Soviet press reported in late April that negotiations were almost complete on economic aid to Portugal for an aluminum smelter and cement industry development. Lisbon also is interested in Soviet aid in coal mining and nuclear power generation. Earlier this year, Moscow and Lisbon signed a fisheries agreement under which the USSR will supply equipment and training to Portuguese fishermen. The terms and value of the Soviet aid proposals were not released. (For Official Use Only)

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Near East and South Asia

Romanian President Tours Islamic States

Romanian President Ceausescu's mid-April visit to Pakistan, Jordan, and Tunisia produced new economic agreements with Amman and Tunis. Bucharest will increase its imports of Jordanian phosphates, conduct oil exploration, and build an oil refinery in Jordan on a joint venture basis. Romania also agreed to participate in agricultural projects and to study Jordan's request for vocational training schools. Details of these accords are to be worked out during the June meeting of their joint economic committee, established last year. (Confidential)

A joint communique with Tunisia mentions a Romanian agreement to participate in joint ventures in oil refining, water distribution, and agriculture. The two sides also signed an agreement to increase their trade above the \$14 million level of 1974. (Unclassified)

Moscow Pledges New Development Aid to Bangladesh

For the fourth consecutive year the USSR has provided large amounts of new aid to Bangladesh. A \$51 million agreement for Soviet assistance to development projects was signed in Moscow early in April. The credits, repayable over 15 years, including 3 year's grace, at 2% interest, are somewhat easier than those usually associated with Soviet agreements. (For Official Use Only)

Moscow has allowed \$7 million of the credits for commodities to finance local costs, a departure from standard practice. The rest of the credit -- \$44 million -- was allocated for constructing a cotton spinning mill, a gas liquefaction unit, an experimental cotton farm, and continued geological prospecting. Soviet aid pledges to Dacca now total approximately \$300 million, two-thirds of which was provided after Bangladesh's independence late in 1971. (For Official Use Only)

Greece Cancels Philippi Power Project

Greece has scrapped its plans for a power project at Philippi because of local farmer opposition. The original project was intended to use peat deposits at Philippi as fuel for three 125-megawatt steam power units to be provided by the USSR. About one-quarter of the equipment has arrived for the plant under an \$89 million contract signed in 1973. Alternative use of the equipment was allowed for in the

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original contract should plans for Philippi fall through. The equipment now may be diverted to a lignite-burning unit presently under discussion. (Unclassified)

Iranian-Soviet-West European Gas Contract Signed

The USSR, Iran, and a West European consortium have concluded a 23-year switch arrangement for the sale of natural gas to West Germany. Iran contracted to deliver 1.3 billion cubic feet of gas per day to the Soviet border beginning in 1981. The USSR will consume the gas in the Caucasus and, in turn, will deliver approximately 1.1 billion cubic feet of Soviet gas at the Western terminal. West Germany plans to use one-half of the gas and reexport the rest to Austria, Italy, and France. (Confidential)

Gas prices will be linked to the price of oil at the time of delivery. The West Europeans probably will pay Tehran directly in hard currency. The difference in volume between the Iranian and Soviet gas deliveries probably represents a transit fee to the USSR. (Confidential)

Iran will deliver the gas through a second pipeline to be built by Iran to the Soviet border. Compressors for the project will be purchased from the USSR, probably on a commercial basis. (Confidential)

Results of Iraqi Leader's Visit to Moscow

Iraq's dissatisfaction with the volume of Euphrates River waters flowing from Syria undoubtedly was discussed in the mid-April talks. Moscow apparently refused to play an active role in settling the dispute between the two major Soviet aid clients. Last year, the USSR attempted to mediate the dispute at the technical level, but Soviet recommendations on division of water were rejected by both Syria and Iraq. Husayn's visit also was designed to reduce Soviet-Iraqi tensions caused by Iraq's growing preference for Western materials and expertise. An agreement on the peaceful uses of atomic energy was signed, but details were not announced. (Confidential)

Iraq Signs Economic Protocols with East European Countries

The seventh session of the joint Iraqi-Bulgarian economic committee meeting ended with the signing of a protocol on the uses of some \$23 million still outstanding under credits provided in 1967 and 1970. Most of the aid will go for food production and processing. The two sides also signed an agreement to increase trade turnover to \$140 million annually. Crude oil as in the past probably

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will bulk large in Iraq's exports to Bulgaria. In 1974, Sofia took \$50 million worth of Iraqi oil. (Secret)

In addition, Hungary signed an agreement to build poultry farms in Iraq at a total cost of \$145 million. Financing arrangements were not announced. (Unclassified)

OTHER ACTIVITIES

Economic

Africa

General. Soviet Foreign Minister Kosygin is scheduled to visit Libya and Tunisia in May. (Confidential)

Algeria. The Algerian Minister of Agriculture traveled to China at the invitation of Chinese officials, probably to discuss further Chinese assistance to agricultural and forestry development. China is providing limited agricultural assistance under a \$50 million aid agreement. (Unclassified)

Gambia. President Jawara is scheduled to visit China in June to discuss allocation of the \$16 million Chinese credit extended earlier this year. Peking has tentatively agreed to finance road construction, agricultural development, a hospital, and a sports complex. (For Official Use Only)

Guinea. Guinea's Minister of Mines and Geology announced in April that the USSR is to build a hydroelectric complex and to assist in establishing a new bauxite mine and aluminum plant at Gaoual, near the Equatorial Guinea border. This is the first indication that the USSR was considering financing a second aluminum project in Guinea. There is no evidence that a formal agreement has been signed on these projects. (Confidential)

Under the Soviet-Guinean trade protocol for 1975, Guinea will substantially increase bauxite exports to the USSR from the Soviet-financed Kindia complex. In April, bauxite exports from Kindia reached one million tons. (Unclassified)

Libya. A Romanian deputy minister of foreign trade was in Tripoli to discuss the establishment of joint projects in Arab and African countries. (Unclassified)

Libyan Prime Minister Jallud signed agreements on long-term trade and economic and industrial cooperation during a visit to East Berlin in April. No details were announced. (Unclassified)

Morocco. A Chinese mission composed of experts in equipment and industrial machinery was in Casablanca to explore possibilities of sales to industrialization projects in Morocco. (Unclassified)

The Czech Minister of Foreign Trade arrived in Casablanca on 26 April. (Unclassified)

Togo. During April, China agreed to provide agricultural equipment valued at \$0.5 million as a grant. A similar gift of equipment worth \$0.4 million was made in December 1973. (For Official Use Only)

Tunisia. Bulgaria and Tunisia signed a protocol calling for Bulgarian assistance to an agricultural complex in Matior to produce grain, vegetables, and livestock. (Unclassified)

The Tunisian Prime Minister traveled to Peking in April to discuss a speedup in implementation of a \$40 million credit extended by China in 1972. The two sides agreed to begin construction of an irrigation canal, already surveyed by the Chinese last year, and on the provision of 1,000 rail cars to Tunisia's national railway. The only disbursements under the credit to date have been commodities to cover local costs of Chinese doctors working in Tunisia. (For Official Use Only)

East Asia

Laos. The USSR signed an agreement to provide food, textiles, and medicine to Laos, presumably under an agreement negotiated in Moscow earlier this year. The value of the assistance was not specified. (Unclassified)

Latin America

Brazil. The Director of China's National Chemical Export and Import Corporation, accompanied by two advisers, arrived in Brazil to study the Brazilian market for chemicals, especially paints, varnishes, and pharmaceutical products. China is attempting to increase exports to help correct a runaway trade deficit with Brazil. In 1973, China imported almost \$95 million worth of Brazilian agricultural products, but Chinese sales were negligible. (Unclassified)

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Guyana. On 20 April, Georgetown announced that an economic and technical cooperation agreement, negotiated during the March visit of Prime Minister Burnham to Romania, had been signed. Romania will assist mineral exploitation, hydropower, cotton farms, and wood processing plants. The announcement made no mention of the extent of Romania's financial commitment to the projects. (Unclassified)

Peru. During an April visit, an East German delegation headed by the Director of Foreign Trade discussed possible economic assistance for projects totaling \$100 million. The offer includes German participation in the textile, metallurgical, and printing industries. Lima's response to the offer is not known. (Unclassified)

Near East and South Asia

Bangladesh. East Germany and Bangladesh signed a new barter agreement on 24 April for trade of about \$11 million through June 1976. The agreement is the third between the two countries. (Unclassified)

India. The USSR has agreed to ship 1.2 million tons of petroleum products to India this year, a slight increase over the previous year's level. Indian sources report that petroleum products imports from the USSR in 1975 will save the equivalent of almost \$125 million in foreign exchange. (Unclassified)

Nepal. The Soviet ambassador recently donated approximately \$28,000 worth of medical supplies for use in the hospital being constructed with Soviet assistance. (Unclassified)

South Yemen. The USSR completed a radio transmitting station and a model farm in South Yemen during April. (Unclassified)

Syria. Syria and East Germany signed a long-term trade and an economic and technical agreement in Damascus on 10 April. The provisions of the agreements were not revealed. (Unclassified)

The Soviet Black Sea shipping line has opened a new regular route to Syria to facilitate growing trade and aid activities between the two countries. (Unclassified)

Secret

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United Arab Emirates. An eight-member Chinese trade delegation began a tour of Bahrain and the United Arab Emirates in late April. (Unclassified)

Military

Syria. A Soviet military delegation led by General Kulikov, the Chief of the General Staff of the Soviet Armed Forces, visited Damascus in late April for discussions with the Syrian Defense Minister on the USSR's military aid program. (Unclassified)

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Analyst: [REDACTED] D/TA

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